

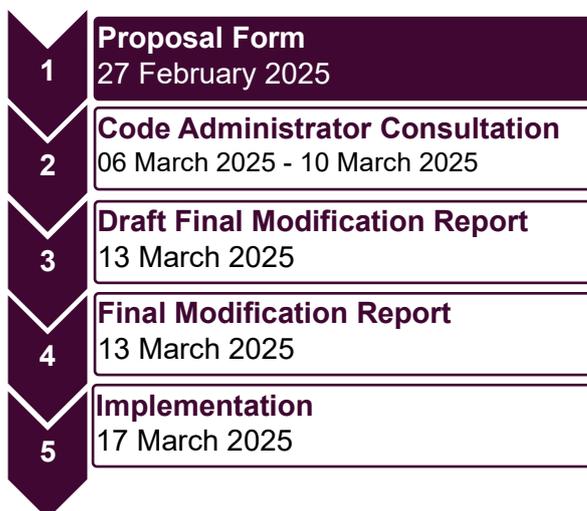
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CUSC Modification Proposal Form

CMP452: Suspension of TNUoS Payments for generators connecting during the 2024/25 charging year

Overview: This mod would aim to defer the payments for Generators that connect to the transmission system during 2024/25 until there has been a decision on CMP445. Such deferral would follow a request by a Generator.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: Medium impact
This proposal would impact only a select few Generators that have or are planning to connect in the 2024/25 charging year. The impact will be zero to other parties and have no effect on the revenues of the TOs or NESO. While the impact is low overall, it would be a major impact on individual Generators.

Proposer's recommendation of governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)	
Who can I talk to about the change?	Proposer: Neil Young neil.young@brockwellenergy.co.uk 0131 370 0000	Code Administrator Contact: Catia Gomes catia.gomes@nationalenergyso.com

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What is the issue?

The overriding issue is that parties that connect midway through a charging year are required to pay a full year's TNUoS (Transmission Network Use of System) charges. CMP445 Pro- rating First Year TNUoS for Generators was raised to address this concern, and may yet successfully address this, but the timetable for that modification is not satisfactory for Generators looking to connect prior to 1 April 2025 who are facing a full year of charges for only a few days or weeks of connection.

It is self-evident that this is unfair, and for plant in a high TNUoS zone that connect late in the year, a significant issue, especially at the beginning of operations and thus no positive cash flow. However, the request for urgency for CMP445 was rejected by Ofgem on the basis that parties would have had full knowledge of the charging regime before now, and so therefore the urgency criteria should not apply.

However, another party (the Proposer of this modification), has recently found that, due entirely to TO and NESO actions, their connection date is now delayed by almost a year, with the latest delay only coming to their attention just a few weeks ago. Despite numerous delays throughout the year, the Proposer had anticipated positive cash flows during the winter months before the end of the charging year and had accepted the imposition of a full year's TNUoS charge. However, the situation worsened when NESO notified them that they would not be able to connect before 19 March 2025, leaving almost no chance of generating meaningful cash inflows to offset the TNUoS charge.

The Proposer raised CMP451 to try and address the issue presented but the modification was rejected by the CUSC Panel on the 24 February 2025, as the Panel deemed the defect to be too similar to CMP445.

With urgency for CMP445 rejected by Ofgem, and CMP451 rejected by the CUSC Panel, the Proposer is facing a difficult decision. Should they connect for less than two weeks, at a monetary loss? Or should they delay connecting to the next charging year?

The funding and finance market, which serves as the primary source of funds for Independent Power Producers, operates under different incentives, rules and restrictions compared to straightforward corporate loans and textbook economics or accounting principles. It may, in fact, be preferable for this plant to generate at an economic loss for a few days solely to demonstrate to their project finance lenders that milestone dates are being met. The repeated delays to the project have necessitated constant rescheduling of loans with repeated equity and debt funding requests.

Whether to commence operation is, of course, a commercial decision that will be made by the Proposer. However, there is a real potential that they will need to pay this unfair charge of approximately £1.3 million, which is neither proportionate nor cost reflective. The alternative of not energising the project could have serious implications and costs incurred with lenders. Nonetheless, the Proposer may decide the best commercial decision is to delay connection until the 2025/26 charging year. This outcome is hardly a fair or sensible and certainly does not benefit the Proposer, system security, competition, the drive to CP30 or consumers.

The Proposer faces a go/no go decision by 17 March 2025.

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Why change?

What is the proposer’s solution?

The proposed solution to this modification is to introduce a TNUoS payment pause for Generators that connected in the 2024/25 charging year, on request from that Generator. These Generators would not have to make a TNUoS payment for the 2024/25 charging year until the first occurring of either:

- An Ofgem decision on CMP445; or
- An Ofgem decision on their end-to-end Connections review, and subsequent CUSC modification, where it makes CMP445 redundant;

Once a decision is made on CMP445 (or effectively through the end-to-end review), the affected Generators who have requested the payment suspension will be liable to pay whatever is finally determined to be due. There is the chance that the full amount would be due, but it is noted that the Proposer sees value in the opportunity of having a reduced TNUoS charge for 2024/25 or at the very least being put in a better position than they are now by having generated real income prior to paying the TNUoS cost. This would also reflect the fact that a Generator should not be required to pay for a service that had not been delivered.

It is noted that this would not affect TO nor NESO revenues as differences in collections would be carried over to a following year. The total monetary value of this modification would be small relative to the TNUoS pot and would be unlikely to rank even a decimal place in NESO’s TNUoS charging.

NESO is best placed to estimate the maximum value that affected Generators could claim a payment pause for, but given the pace of connections in 2024/25 it is not likely to be material overall, except of course to affected parties. Given the urgency of this proposed modification, and simplicity of the proposed solution in terms of concept, legal drafting and implementation, the Proposer considers that a positive Panel decision, an immediate and brief consultation, and fast turnaround by Ofgem is feasible.

It is noted that there is precedent for suspension of payments pending a different code modification decision with P083 – Amendment To Process For Past Notification Errors, where the BSC Panel was able to consult on and Ofgem was able make a decision on the urgent modification within 24 hours of it being raised. It is the Proposer’s view that a similar approach is necessary for this modification. A Generator delivering renewable energy to the system is being penalised by the combination of TO and NESO actions. A go/no go decision is imminent on 17 March 2025. As such, this modification proposal needs to be decided, by the Authority, by 14 March 2025.

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Draft legal text

14.18.10.1

Where a Generator’s connection date is between 1 April 2024 and 31 March 2025, and where that Generator requests, TNUoS charges shall not be liable until such time as there has been a decision by Ofgem on:

- *CMP445; or, if earlier*
- *Ofgem’s end to end Connections review or the resulting code modification, where such decision/modification makes CMP445 redundant;*

Once a decision has been made, the total liable TNUoS charges for the 2024/25 charging year will be added to the relevant charging year during which a decision has been taken, equally across remaining months in that charging year. It may be the case that there is no change from now in the charges due resulting from CMP445 or as a result of Ofgem’s end to end review, in which case the full amount will be paid in equal instalments over the remaining of the charging year.

What is the impact of this change?

Proposer’s assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	Positive This modification will reduce the incentive for Generators to delay connecting to avoid disproportionate TNUoS charges, thereby improve overall competitiveness. It will make investment decisions and timing simpler, and lower risk, thereby ultimately benefiting system security through earlier connections and consumers through lower risk premia.
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments	Positive Currently TOs receive payments covering

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<p>between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);</p>	<p>periods where Generators are not connected. This modification would improve the chance of Generators negatively affected by this defect will have a fairer outcome with cost reflective charges levied against them.</p>
<p>(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business*;</p>	<p>Positive</p> <p>We bring attention to Clean Power 2030 and NESO's stated desire to "start doing things differently" to ensure that the vast volume of renewable connections are made in in line with CP2030 ambitions. Removing (or at least lowering the probability of) delayed connections resulting from the charging methodology is in line with these emerging developments.</p>
<p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and</p>	<p>Neutral</p> <p>No relevance</p>
<p>(e) Promoting efficiency in the implementation and administration of the system charging methodology.</p>	<p>Positive</p> <p>Enabling the implementation of proportionate, more cost effective TNUoS charges for connections that occur during 2024/25 charging year should result in a more efficient operating charging methodology. This change is simply a standstill against for specific generators, for charges arising in the</p>

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	2024/25 charging year. It is easy to implement and will not result in increased costs to NESO or TOs.
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* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

Proposer’s assessment of the	
Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	<p>Positive</p> <p>If Generators are incentivised to delay connecting simply to avoid disproportionate transmission charging, particularly if that means waiting to the end of winter, when the charging year ends, then there will be security of supply implications, as plant that could otherwise have connected may decide to wait to after winter to avoid these charges.</p>
Lower bills than would otherwise be the case	<p>Positive</p> <p>Any change to the CUSC that makes it fairer and easier for investors to help the UK meet Clean Power 2030 objectives will make it less costly for consumers. If investors know that they can expect disproportionate non-cost reflective charging, this is built into investor model, requiring a higher rate of return than would otherwise be needed, leading to higher revenues sought via the CfD or CM. These costs end up on consumer bills.</p>
Benefits for society as a whole	<p>Positive</p> <p>This would be positive for consumers through ensuring that low carbon generators do not wait to the next charging year to connect, simply to avoid a disproportionate charge, but also indirectly by lowering investment hurdles and unnecessary “hassles” which will ultimately lower the cost of getting low carbon generation on the system faster. This would be recognised as a pragmatic and investment-friendly environment, attracting investors, lowering costs and</p>

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	increasing investor interest in GB and making Clean Power 2030 ambitions more easily achieved.
Reduced environmental damage	<p>Positive</p> <p>This modification would enable a more sensible charging approach to be considered in particular for parties that are hoping to connect in the 2024/25 charging year. As most connections now are zero carbon (battery, wind and solar), any additions will reduce reliance on higher carbon alternatives. Even if this modification would benefit a carbon technology, it would likely be more efficient and therefore lower carbon at the margin, it would likely displace less efficient higher emitting plant from the system.</p>
Improved quality of service	<p>Neutral</p> <p>Click or tap here to enter text.</p>

When will this change take place?

Implementation date

As this is a standstill modification, the code change should be made prior to 14 March 2025

Date decision required by

No later than 14 March 2025.

Implementation approach

NESO to advise on necessary system change.

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)

This modification should proceed on an urgent timeline and proceed straight to Code Administrator Consultation. It the Proposer view that the solution is simple, requires little change to the CUSC so should not require Workgroup assessment. This modification achieves the urgency criteria "A significant commercial impact on parties, consumers or other stakeholder(s)", by virtue of the immediate and significant commercial impact on a few parties to whom it will apply, i.e., those that have or intend to connect in the 2024/25 charging year. The case for urgency made for CMP445 stands, as does the request for urgency made for the CMP451.

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In the latter case, the Panel decided that the modification was not sufficient distinct from CMP445 to proceed. However, the revised argument for urgency arises now from the specific situation that a plant has the option to connect two weeks prior to the end of the charging year, at a cost of £1.3 million, or to wait to the next charging year.

In this case, the late in the year connection date is due to delays by the TO, and then NESO, which meant that not only did the plant miss the opportunity to contribute to security of supply over the winter season, but also to start a positive cash flow over the winter.

This was through no fault of the Proposer, but due instead to a different sense of urgency driving monopoly behaviour versus the competitive market participant drivers. It is then insult upon injury to be saddled with £1.3 million charge which they will almost certainly be unable to ever recoup (noting that if they were a monopoly they would get their money regardless). This modification provides the Proposer, and other parties in a similar position, with at least a chance of a favourable decision at a later date, which may be sufficient incentive to connect before the end of the charging year,

Guidance on governance routes		
Timescales	Route	Who makes the decision (Governance type)
Normal	Proceed to Code Administrator Consultation*	Authority (Standard Governance) or Panel (Self-Governance)
	Assessment by a Workgroup**	
Urgent	Proceed to Code Administrator Consultation	Authority (Standard Governance)
	Assessment by a Workgroup	
Fast-track	Straight to appeals window, then implementation	Panel (Self-Governance)
<p>* This route is for modifications which have a fully developed solution and therefore don't need to be considered by a Workgroup.</p> <p>** For modifications which need further input from industry to develop the solution.</p>		
Self-Governance Criteria		
<p>It depends on the material effect of the modification as to whether it should be subject to Standard or Self-Governance. If you are proposing that your modification should be subject to Self-Governance, you must explain how it meets the below criteria. The modification is unlikely to discriminate between different CUSC Parties and is unlikely to have a material effect on:</p> <ul style="list-style-type: none"> Existing or future electricity customers; 		

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- Competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity,
- The operation of the National Electricity Transmission System
- Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies
- The CUSC Panel’s governance procedures or the CUSC Panel’s modification procedures

Urgency Criteria

If you are proposing that your modification is Urgent, you must explain how it meets Ofgem’s Urgent criteria (below). When modifications are granted Urgency, this enables the us to shorten the standard timescales for industry consultations. Note that the we (Code Admin) must seek Authority approval for this option.

Ofgem’s current guidance states that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- A significant commercial impact on parties, consumers or other stakeholder(s); or
- A significant impact on the safety and security of the electricity and/or gas systems; or
- A party to be in breach of any relevant legal requirements.

Fast-Track Self-Governance Criteria

This route is for modifications which are minimal changes to the code. E.g. Typos within the codes. If you are proposing that your modification should be subject to Fast-Track Self-Governance, you must explain how it meets the below criteria.

The modification is a housekeeping modification required as a result of an error or factual change, such as:

- Updating names or addresses listed in the CUSC;
- Correcting minor typographical errors;
- Correcting formatting and consistency errors, such as paragraph numbering, or;
- Updating out of date references to other documents or paragraphs.

Interactions

- Grid Code BSC STC SQSS
 European Network Codes EBR Article 18 T&Cs¹ Other modifications Other

[Explain how this modification interacts with other codes, industry documents, modifications or industry projects.]

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CfD	Contracts for Difference
CMP	CUSC Modification Proposal

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CM	Capacity Market
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
IP	Independent Power Producers
NESO	National Electricity System Operator
Ofgem	Office of Gas and Electricity Markets
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TO	Transmission Owner
TNUoS	Transmission Network Use of System

Reference material

- [CMP445 Pro-rating first year TNUoS for Generators](#)
- [CMP451 Suspending TNUoS payments when TOs and/or NESO has delayed connection](#)
- [Ofgem Connections end-to-end review of the regulatory framework \(8 November 2024\)](#)
- [Clean Power 2030 Action Plan](#)